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**EFFECT OF GENERIC POSITIONING STRATEGY ON
ORGANIZATIONAL PERFORMANCE OF
PHARMACEUTICAL FIRMS**

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Effect of Generic Positioning Strategy on Organizational Performance of Pharmaceutical Firms

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School of Graduate Studies
MA Programme**

**Effect of Generic Positioning Strategy on Organizational Performance of
Pharmaceutical Firms**

Approved

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LETTER OF CERTIFICATION

This is to certify that SelamawitAsefa carried out her project on the topic entitled“Effect of Generic Positioning Strategy on Organizational Performance of Pharmaceutical Firms”.Thiswork is original in nature and is suitable for submission for the award of Master Art in Marketing Management.

Dr.TemesgenBelayneh (Ph.D)

(The Research Advisor)

DECLARATION

I, SelamawitAsefa, declare that this research titled Effect of Generic Positioning Strategy on Organizational Performance of Pharmaceutical Firms, is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfilment of the degree of MA in Marketing Management.

By: SelamawitAsefa(GSE/0592/07)

Signature _____

Date _____

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ABBREVIATIONS AND ACRONYMS

ADR	–	Adverse Drug Reaction
API	–	Active pharmaceutical ingredient
DACA	–	Drug Administration and control Authority
EDL	–	Essential Drugs list
FMCG	–	Fast moving consumer goods industry
FMHACA	–	Food, Medicine & Healthcare Administration & Control Authority
FMOH	–	Federal Ministry of Health
GDP	–	Gross Domestic Product
IMS	–	International
I/O	–	Industrial Organizations
LIDE	–	List of Drugs for Ethiopia
NDL	–	National Drugs List
NDP	–	National Drug Policy
NGO's	–	Non Governmental Organizations
OTC	–	Over the Counter
PASS	–	Pharmaceutical Administration and Supply Service
PHARMID	–	Pharmaceutical and Medical Supply Import and Wholesale Share
R&D	–	Research and development
RBV	–	Resource Based View
SPSS	–	Statistical package for social science
STG	–	Standard Treatment Guidelines
SCA	–	Sustainable Competitive Advantage
STP	–	Segmentation, Targeting & Positioning
U.K.	–	United Kingdom
U.S.	–	United States
VRIN	–	Valuable, Rare, Inimitable and non-substitutable
WHO	–	World Health Organizations

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ABSTRACT

In growing economies, Competition among firms is fierce and that is why firms need to position themselves differently from competitors and it has to be in a sustainable form. The objective of this study was to determine the effect of generic positioning strategies on organizational performance of pharmaceutical firms. A descriptive survey was undertaken. The population of the study consisted of 50 firms of those 45 was undertaken. From the findings most pharmaceutical firms, to a great extent differentiation strategy and cost leadership strategy were the main strategies used by the firms. Further research to establish factors that lead to changes in firms' competitive strategies within the pharmaceutical industry is recommended. It is also recommended that Multinational pharmaceutical wholesalers should not try to compete with firms on price; instead they need to market their products as aspirational products for the uppermost earners.

Keywords: *Organizational Performance, Cost Leadership, Differentiation, Focus, Generic Strategy, Positioning*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

1.1.1. Concept of Market Positioning Strategy

Positioning appears to have evolved from market segmentation, targeting and market structure changes during the 1960s and the early 1970s. Ries and Trout (1986) concluded that positioning starts with the product, a piece of merchandise, service, a company and institution or even a person. They argue that positioning is not what is done to the product/service, but rather what is done to the mind of the prospect. Kotler (2000) defines positioning as the act of designing the company's offering and image to occupy a distinct place in the target market's mind. There is a general agreement that positioning has become one of the fundamental components of modern marketing management.

Kotler and Andreasen (2006) argued that a positioning strategy is a key component of the strategic marketing planning process and is aligned with organizational goals/objectives, internal resource capabilities and external market opportunities. This thesis paper tries to explore the various strategy theories and also how they relate to organizational performance. It tries to explore Porter generic strategies, industrial Organization (I/O), the Resource-Based View (RBV) of the firm.

While various types of organizational strategies have been identified over the years, Porter's generic strategies remain the most commonly supported and identified in key strategic management textbooks (Thompson and Stickland, 1998; David, 2000 ;) and in other literature (Kim and Lim 1988). Porter (1980) suggests that for long-term profitability, the firm must make a choice among the generic strategies rather than end up being "stuck in the middle". A firm's ability to survive in an industry is largely influenced by the competitive strategies it adopts.

1.1.2. Background of the Industry

The pharmaceutical industry has been very successful since the late 1980s, achieving impressive annual sales growth rates in excess of 10 per cent per annum and enjoying the resultant growth in profits. The success has relied mainly on strong research and development (R&D). The modern bio/pharmaceutical industry is grappling with challenging circumstances. The facts speak for themselves. To outline but a few:

- In 2007, the Food and Drug Administration approved 17 new molecular entities, the lowest in any one year since 1983. (Garnier, J.P. 2008)
- Total US dispensed prescription volume grew at 2.8 per cent (year over year), the lowest since 1961.
- Two-thirds of all prescriptions dispensed in 2007 were for generic products. (IMS Health 2008).

The outlook for the next 4 – 5 years is moderately positive at best. Compound Annual Growth Rates are expected to be 4 – 5 per cent. Organic growth needs to be supplemented with acquisitions. Fundamental changes in processes that lead to new drug discovery and development within traditional frameworks of the large bio/pharmaceutical firms are required. The full potential of bio pharmaceutical, biotechnology, genomic, genetic and bio generic compounds is best realised in small, entrepreneurial firms, which have a capacity for creativity, risk and iteration that no large bio pharmaceutical entity can match. However, significant commercial challenges hold the promise of realising the full potential of compounds in the pipeline of large or small ethical drug manufacturers, as well as of in-line products that have a real chance of extending the depth and length of their life cycles by reaching more patients who deserve treatment but remain untreated. While first-in-class products open the door to treating a new, hitherto untreated disease, astute commercialisation can result in an array of innovative, best-in-class products and practices that solidify sustain and spread product benefits across larger patient populations.

Of the 32 blockbuster drugs introduced between 1994 and 2004, 75 per cent were not first-in-class. Eight of the 10 top-selling drugs in 2006 represented commercially driven evolutions over their predecessors. (Booth Jr, B. and Zimmel, R.W. 2004)

1.1.3. Pharmaceutical Industry in Ethiopia

The pharmaceutical industry in Ethiopia, is driven by: Progressive growth of Ethiopian economy, increase in the burden of communicable and non communicable disease, lifestyle changes such as diet and sedentary living, increasingly high population growth rate, expansion of health care coverage, improved awareness around modern medicine, and local preference of government tenders as identified by (Frost & Sullivan 2012). According to Ethiopia (FMOH, 2011), Ethiopia registered an average of 8.1% growth in GDP between 2002 – 2012 and this led to increased growth of healthcare coverage and improved access to medication.

The national health expenditure increased substantially from Birr 11.1 billion (USD 1.2 billion) nominal & USD 16.09 per capita in 2007/08 to over Birr 26.5 billion (USD 1.6 billion) nominal & USD 20.77 per capita in 2010/11, FMOH (2014).

Frost & Sullivan (2012) described the high prevalence of infectious diseases and the rising of non-communicable diseases related to cardiovascular, diabetes, central nervous system, and cancerous tumors serves as a major driving force for the growth of the Ethiopian pharmaceutical industry. The reasons mentioned by Frost & Sullivan for the recent rise of non communicable diseases are lifestyle changes related to the shift to Western lifestyle characterized by consumption of the Western diet and an increase in sedentary activities, increased population growth, improved diagnostic techniques as well as the expansion of specialized medical fields.

According to Frost & Sullivan (2012) Ethiopia is classified as the most populous country in sub-Saharan Africa and has an estimated population size greater than 84.0 million. Ethiopia contributes 1.2 per cent of the world's population. With an annual growth rate of 3.2 per cent, Ethiopia's population forecast for 2050 is estimated at 173.0 million. The increase in population size results in an increase in the number of individuals requiring health care thus increasing the demand for various pharmacological agents.

The health care coverage in Ethiopia is growing according to the FMOH (2011) indicating the number of hospitals increased from 126 to 195, number of health centers increased from 519

to 2822, number of health posts increased from 2899 to 14,416 and number of health extension workers increased from 9,900 to 33,819 between 2005 & 2010.

According to Frost & Sullivan (2012), most of the population in Africa (90 %) relied on the usage of traditional medicine to improve health conditions in past years. But recently the demand for modern medicines is increasing because of improved access and education around health care, increase in diagnostic tools, improved rural healthcare access, and the growth of various pharmaceutical drugs for the treatment of various illness including infectious diseases, respiratory, and cardiovascular diseases.

The literatures reviewed indicated that both global and local pharmaceutical market is increasing due to several factors including population and economic growth. It is also evident that Ethiopian pharmaceutical market is dependent on import and the contribution of local pharmaceutical industries to the country's economy is very low.

Government protection to local manufacturers needs to be undertaken cautiously as it may result in non competitiveness and poor quality. Strong local regulatory system together with ongoing technical support is essential to ensure quality of locally produced pharmaceuticals.

According to the above literatures, local pharmaceutical production in Ethiopia has an advantage of geographical location, presence of multiple joint ventures, manageable regulatory framework and favorable government policy. However local production also faces several challenges including cost disadvantage because they are usually small in size, insufficient raw material purchasing power and shortage of foreign currency for importing production inputs.

Import and distribution

Import and wholesale are done by the public sector, private sector, NGO's and international organizations. The Pharmaceutical Administration and Supply Service (PASS) of the Ministry of Health and the Pharmaceutical and Medical Supply Import and Wholesale Share Company known as PHARMID (semi-governmental organization) are responsible for import and distribution to the public sector. PHARMID has eight wholesale distribution branches (2 in

Addis Ababa and 6 in different regions). The public procurement is done through international and local tenders as well as by direct purchasing or negotiation. It is limited to the LIDE. Guideline on drug donation is prepared in the local language.

In the private sector, the total number of importers /wholesalers has increased from only 11 in 1993 G.C to 42 in 2002 G.C. Procurement in the private sector is done by direct order to manufacturers abroad and it is also limited to the LIDE.

As Federal Ministry of Health (FMOH, 2011) the drug retail activity is done by the public sector, private sector, city councils, and the Red Cross society of Ethiopia. This sub-sector has also shown significant growth in number of outlets during the last decade. In 2000/ 2001 G.C, there were 311 pharmacies (run by pharmacy degree graduates), 249 drug shops (run by pharmacy diploma graduates or equivalent), and 1971 rural drug vendors (run by nurses or health assistants or pharmacy technicians). Moreover, each health care facility has its own pharmacy unit / dispensary.

According to the Ministry of health, the potential coverage, defined as percentage of the population within 10 km of a health station (walking distance), is estimated at 51.2 percent in 1993 E.C (2000/01 G.C). Indirectly, this shows that the percentage of the population which has geographical access to essential medicines is more than 51.2 percent.

1.2. Statement of the Problem

Organizations that are well positioned have a presence which allows them to achieve strategic goals in a seemingly effortless manner. The positioning strategy comprises of three major inter-related components: the choice of target audience, the choice of generic positioning strategy, and the choice of positioning dimensions that the organization uses to distinguishing itself and to support its generic positioning strategy (Chew, 2003).The choice of positioning strategy affects how the firm distinguish itself from other competitors and this in turn can be measured by the firm performance. The company's positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return, the two most important value drivers (Kotler et al., 2003).

There is a great need for pharmaceutical companies to differentiate themselves from their competitors and identify a market niche that can invest their loyalty to them. One proven way of doing this is by adopting a positioning strategy that will appeal and occupy a distinctive place in the mind of the target market. The industry has been changing tremendously in recent years with the MNC increasing their number and also local importers collaborating with pharmaceutical companies and making their entry into the market more accessible. Many companies want to enter the Ethiopian market because of our population and increasing economy with the relevant demand and disease epidemiology. This makes the market very competitive and highly volatile.

Some firms might have a clear positioning strategy such as cost leadership and continuously try to promote their product as the price solution of the innovator company and while other emphasis on differentiation strategy and positioning itself of the product of the innovator company. Maintenance of competitive position and application of appropriate strategy most frequently ensure company's survival in the market and good results of its performance (Athiyaman, 2005). As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors. In order to cope up with the extremely competitive environment and maintain their sustainability, some firm might follow on cost leadership strategy and differentiation on the same product.

In most pharmaceutical companies there is no clear positioning and you will find an absence of clear and relevant differentiation of their product offering. As a result, products aren't making their business goals, not only new entries but also dominant firms might face failure and at very least, companies are experiencing opportunity losses even as they increase their sales effort.

Most of the companies face challenges as physician focus on compound and not on the brand which makes it difficult to differentiate the product. For Eg, When you consider API you will note that basically all the compounds work the same, they almost have the same mode of action and the same result which makes them interchangeable or at least largely perceived that way among the vast majority of physicians .But if pharmaceutical firms marketers work on their positioning strategy they can position their product more effectively by relating the product attributes and performance with target customers and this will require STP of the

population that you want to better serve than your competition. It will also require you look to the long term in directing company's resources to building a special relationship with the identified target.

Since many MNC are entering the local market and trying to come up with global positioning which makes it difficult because managers who participate from various geographies and economy in creating the positioning find it difficult to agree on what is important. Usually positioning is overviewed as what we say i.e. specific claims about the product, not about the relationship we want to create with customer. Nor do they appreciate that positioning strategy is a guide for all future activities that we need to engage in internally in order to realize the full potential of our offering in the marketplace. Unless we understand these crucial differences and help them understand it too we are doomed to the sameness.

The regulatory and legal people like FMHACA and consumer society focus on the compound and they focus on clinical studies and resultant labelling which is important but lack of the understanding the role of positioning makes it difficult for the pharmaceutical firms to compete with their full potential ethically and transparently in the market place.

Strategic positioning is a managerial process within the organization to develop an organization level positioning strategy that aims to effectively distinguish the organization from other service providers (Chew, 2003). Having clear and distinct positioning strategy whether it's generic or hybrid can be taken as competitive advantage and enhances organizational performance but most companies might fail without seeing things thoroughly or become the same as companies without any clear strategic orientation.

From the empirical literature, many studies have dealt with positioning strategies employed by various firms with only a few looking at the relationship of the strategic positioning and performance. More recent studies (Hoque, 2004) also find links between strategy type and organizational performance. However, some others were not able to find such a link (McGee and Thomas, 1986, 1992), or have found that the link is not as strong under some situational variables (Davis and Schul, 1993; Zahra, 1993; Nandakumar et al., 2011). Hence, there are still gaps and contradictions in the strategy research that examines the link between strategy and performance. This calls for further research on the relationship between strategy and

performance to advance strategic theory (Allen and Helms, 2006). There are some done on the effect of positioning strategy and organizational performance in industry like insurance, bank and airlines but there is no research done on the effect of strategic positioning on organizational performance in the pharmaceutical industry and this research seeks to cover the knowledge gap created.

1.3. Research Questions

The proposed study intended to bridge the gaps by seeking responses to the following research questions:

- a) What are the various positioning strategies pharmaceutical firms use when marketing their product in Ethiopia?
- b) What is the effect of generic positioning strategies and performance among pharmaceutical firms?
- c) What are the relationship of positioning strategy and performance of pharmaceutical firms?

1.4. Objective of the Study

1.4.1. General Objective

The overall objective of this study was to determine the effect of strategic positioning on organizational performance in the pharmaceutical firms.

1.4.2. Specific Objective

The specific objectives of the study were;

- i. To find out if marketers use strategic positioning to increase the performance in the pharmaceutical firms.
- ii. To determine the effect of positioning strategy on the organizational performance in the pharmaceutical firms.
- iii. To determine if there is a relationship between strategies and organizational performance in the pharmaceutical firms.

1.5. Significance of the Study

The results of this study is expected to benefit marketing managers of the pharmaceutical companies. They can use these strategies to ensure continued growth and sustainability of their firms. The findings will also be useful to marketing managers in other industries who may use the various positioning strategies to gain a competitive advantage for their firms and finally, the study will benefit the researchers and academicians as a source of reference for future studies on positioning strategies in the pharmaceutical industry.

1.6. Scope of the Study

This research focuses on the effect of market positioning strategy on the organizational performance in pharmaceutical firms. Specifically, on the pharmaceutical firms whether or not they use market positioning strategy, which factor mostly affect firm performance. There are abundant antecedents of market positioning of product, but the research gave attention to certain specific variables such as: cost strategy, differentiation and hybrid positioning strategy. The research will be conducted on medical representative, product manager, marketing manager and others like technical manager that works in importer, distributor, MNC and manufacturer of pharmaceutical product in Addis Ababa city.

1.7. Organization of the Study

The paper organized into five chapters. Chapter one deals with introduction part, Chapter two with the review of the related literatures, Chapter three methodology part and Chapter four is about data presentation, analysis and interpretation. Finally, Chapter five will contain summary of findings, conclusions, recommendations and future research complications.

1.8. Limitation of the Study

Lack of written document, in relation to Ethiopian pharmaceutical market positioning strategy.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter presents a review of the literature related to the purpose of the study. The chapter was organized according to the specific objectives in order to ensure relevance to the research problem. The review was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of existing knowledge base in the problem area.

2.2. Theoretical Foundation of the Study

The strategy literature provides numerous theories, research methodologies, and ideas on the strategy-performance relationship. Strategy research has its roots in industrial organization (IO) theory. According to Bain (1956), the IO framework of industry behavior, firm performance or profitability is seen as a function of the industry structure. Industry characteristics rather than firm-based issues are found to determine firm performance (Barney, 1986). This structure-conduct-performance model from IO and economics has been used in industries with high concentrations and similar firms (Seth and Thomas, 1994). Some studies have not found any linkage between strategy and performance (McGee and Thomas, 1986, 1992). To investigate the strategy and performance linkage, many researchers began utilizing approaches found to be generalizable across industries, specifically those proposed by Porter (1987).

2.2.1. The Competitive Strategy theory

At the most fundamental level, firms create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to market, which is ultimately an act of innovation. Innovations shift competitive advantage when rivals either fail to perceive the new way of competing or are unwilling or unable to respond. There can be significant advantages to early movers responding to innovations, particularly in industries with significant economies of scale or when customers are more concerned about switching suppliers. The most typical causes of innovations that shift competitive advantage are the following:

- new technologies
- new or shifting buyer needs
- the emergence of a new industry segment
- shifting input costs or availability
- changes in government regulations

Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company's position, and by choosing a strategy for competitive balance prior to opponents' movement (Oliver,1997). Strategic positioning is thus the output of a complex understanding of market structure and conditions that determine the sustainability of firm performance (Petrick et al., 2009).

The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment. Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those resources to support the strategy pursued or the fitness of those resources for a particular industry structure (Pike and Ryan 2004).

2.2.2. I/O (Industrial Organization View)

The dominant school of thought in strategic management has been the I/O, where the relationship between the firm and the industry is essential. A principal model of this school has been Michael Porter's (1985) "five competitive forces" for analyzing industry structures. In this model, a firm's profitability is influenced by its relative size compared to its industry rivals, suppliers and customers (Porter, 1985). Accordingly, the industry forces in which the firm operates requires that the firm adapts to these requirements in order to survive in the long run. In addition, the firms that fail to adapt to these requirements will be forced to exit from the industry/market.

The models within the I/O school of thought are based on the following two assumptions: firstly, companies in an industry are identical in terms of the strategically relevant resources they control and the strategies they pursue (Porter, 1981). Secondly, resources in an industry

are identical because an organization's resources, which they use to implement strategies are highly mobile in the market (Barney, 1991). Moreover, within the I/O school of thought the key to sustained competitive advantage is choosing an appropriate industry and positioning itself within that industry.

Consequently, the I/O paradigm regards competitive advantage as a position of superior performance that a firm can achieve through one of the following generic strategies: cost leadership, differentiation or focus. Cost leadership is the achievement of the lowest unit cost base of the industry, whereas differentiation is the ability to charge a premium price for offering some perceived added value to the customer. The focus strategy is the concentration of a narrow segment and within that segment attempt to achieve either a cost advantage or differentiation (Porter, 1985).

Critiques of I/O

In the context of today's rapidly changing environment, the static framework within the I/O school of thought is being tested and questioned, as an unknown company can take over the market leader position over night. Consequently, many scholars have begun to look beyond the I/O school of thought in order to better understand the sources of sustained competitive advantage.

In addition, proponents of the RBV (Teece et al., 1997) argue that the structural approach represented by Porter's competitive forces framework is obsolete as the competitive environment has changed dramatically since the mid 1980's.

Moreover, Barney contradicts Porter's central principle of industry attractiveness, i.e. that superior firm performance is a result of excellent entrance and operation in attractive product markets. Barney argues that "if strategic factor markets are perfectly competitive, even if firms are successful in implementing strategies that create imperfect competitive product markets, those strategies will not be a source of economic rents" (Barney & Arkan, 2001). Accordingly, theories of imperfect product market competition are not sufficient for the development of a theory of economic rents. As a result, Barney & Arkan (2001) suggest that economic rents can be obtained through the resources, which a firm controls. He argues that

firm specific resources, as opposed to resources acquired elsewhere, are more likely to lead to economic rents because these were acquired or developed in a previous strategic factor market where their price was a function of the expected value of those resources in that market.

The principal criticism of Porter's work is methodological, as many of the points that he makes do not seem to have any empirical justification. (O'Schaunnessy, 1984) criticizes the choice of the five environmental forces which are linked to strategies, namely, buyer power, supplier power, degree of competition, threat of entry and threat from substitutes, for two reasons. Firstly, the choice seems to be arbitrary and there is little to suggest that these forces are necessarily exclusive or exhaustive. Secondly, O'Schauhnessy argues that Porter gives no indication of how to operationalise any analysis based on these five forces. Porter's logic is inconsistent in relation to the use of multiple generic strategies and has been contradicted by empirical findings (White, 1986; Wright et al., 1990).

2.2.3. RBV (ResourceBased View)

The resource-based view (RBV) has become one of the most influential and cited theories in the history of management theorizing. It aspires to explain the internal sources of a firm's sustained competitive advantage (SCA). Its central proposition is that if a firm is to achieve a state of SCA it must acquire and control valuable, rare, inimitable, and non-substitutable (VRIN) resources.

The RBV emerged as a complement or dual to Porter's theory of competitive advantage (Barney & Arikan, 2001). Initially, Wernerfelt (1984) developed a theory of competitive advantage based on the resources a firm develops or acquires to implement product market strategy. Wernerfelt's (1984) primary contribution to the RBV literature was recognizing that firm specific resources as well as competition among firms based on their resources can be essential in order for organizations to gain advantages in implementing product market strategies (Barney & Arikan, 2001).

A different perspective is presented by (Rumelt,1984) who focuses on economic rents and created a theory of rent generation and appropriating characteristics of firms. Moreover, (Rumelt,1984) in his strategic theory offered many characteristics which were later associated

with the RBV. For example his view on “firms as collections of productive resources” as well as his suggestion that the imitability of these resources depends on the extent to which they are protected by an “isolation mechanism”.

The third resource-based article in the field of strategic management was published by Barney in 1986. Barney introduced the concept of strategic factor markets as the market where firms acquire or develop the resources they need to implement in their product market strategies. As a result, Wernerfelt (1984), Rumelt (1984) and Barney (1986) are the three corner stone’s of what was later known as the resource-based theory.

In the mean time, while resource-based theory was developing, a parallel stream of “resource-based” work was being developed in the area of competitive advantage (Barney & Arkan, 2001). The most significant contributors of this parallel stream is Itami (1987), Prahalad and Bettis (1986) and Prahalad and Hamel (1990). Itami’s (1987) theory of invisible assets suggests that invisible assets, e.g. information-based resources such as technology, customer trust, brand image, control of distribution, corporate culture, and management skills are necessary for competitive success. Accordingly, invisible assets are the real source of competitive advantage because they are hard and time-consuming to accumulate. Further, they can be used in multiple ways simultaneously, and are inputs and outputs of business activity. Itami (1987) continues to argue that people are both accumulators and producers of invisible assets. Visible assets, on the other hand, must be present for business operations to take place, but it is the invisible assets that lead to competitive advantage.

Prahalad and his colleagues (Prahalad and Bettis, 1986; Prahalad and Hamel, 1990) developed an approach to understanding corporate diversification. Differing from previous corporate strategy work which had been focusing on the importance of shared tangible assets across businesses, Prahalad began emphasizing the potential importance of sharing intangible assets across businesses. These shared intangible assets were called “a firm’s dominant logic” (Prahalad and Bettis, 1986). The concept of a dominant logic led to the very influential paper that defined the notion of a corporation’s “core competence” A core competence is defined as: the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies.” (Prahalad and Hamel, 1990, p.82)

Consequently, the work of Itami (1987), Prahalad and Bettis (1986) and Prahalad and Hamel (1990) has had a great impact on the development of the RBV. In fact resource-based theories of corporate diversification has been one of the most popular ways to empirically test resource-based logic.

Moreover, resource-based theory is based on the assumption that firms are fundamentally heterogeneous regarding their resources and internal competencies. It deals with the problem of how firms can exploit their internal resource base and capabilities to obtain sustained competitive advantages (Barney, 1991; Hamel & Prahalad, 1994).

According to Barney (1991), a firm is argued to have a competitive advantage when it is implementing a value creating strategy which a current or potential competitor is not implementing at the same time. Moreover, a firm is argued to have a sustained competitive advantage when it is implementing a value creating strategy which a current or potential competitor is not implementing at the same time and when these other firms are unable to duplicate the benefits of this strategy. However, in order for a resource to have the potential of being a sustained competitive advantage, it must contain the following four attributes: Firstly, it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment, secondly, it must be rare among firm's current and potential competition; thirdly, it must be imperfectly imitable and fourthly, there cannot be any strategically equivalent substitutes for this resource that are valuable but neither rare or imperfectly imitable.

Whereas Barney focuses on internal resources as the key to sustained competitive advantage, Hamel & Prahalad (1994) focus on core competencies and argue that a firm's sustained competitive advantage is to be found in its core competencies. In order for a competence to be a core competence, three criteria have to be met: the competence has to

- 1) provide access to more than one market,
- 2) give a significant contribution to the end product/products and
- 3) be difficult for competitors to imitate (Hamel & Prahalad, 1994).

Accordingly, if a company possesses a core competence and understands how to take advantage of it, it can lead to sustained competitive advantages.

Recent developments of the resource-based view have emphasized on the importance of dynamic capabilities to organizational performance particularly in an environment that is more and more complex and changing (Macher& Mowery, 2009). The firm can translate these resources and capabilities into a strategic advantage if they are valuable, rare, and inimitable and the firm is organized to exploit these resources. According to the dynamic capabilities view, organizations are considered as collections of difficult-to-imitate resources leading to the development of competitive advantage and contributing to performance differences between companies (Hoopes,2003).

Dynamic capabilities can explain how business firms create, define, discover, and exploit entrepreneurial opportunities in complex and volatile external environments in search for a strategic matching of resources and market needs. Especially, a firm's particular dynamic capabilities of stakeholder relationship management can determine the effectiveness of strategic alliance, in return influencing sustainability which has some of implications for corporate responsibility and emerging markets. Many scholars have conducted research on dynamic capabilities and believed that dynamic capabilities are useful (Teece,1997).

Dynamic capabilities lead to an extension of the RBV by focusing on an examination of the sources of competitive advantage in rapidly changing environments through referring to the abilities of companies to “integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” (Teece,1997). It has also been suggested that dynamic capabilities are indirectly linked with company performance through changing the firm's bundle of resources, operational routines, and competencies, which in turn affect organizational performance (Zott,2003). Similarly, dynamic capabilities enable organizations to renew competencies and to strategically manage the internal and external organizational skills, routines and resources required to improve company performance, particularly in a more and more changeable and uncertain context (Teece,1997). Some other researchers believe that dynamic capabilities may enhance company performance by increasing companies' agility and strategic flexibility (Zahra,2006). Nevertheless, a group of authors

suggest that organizational capabilities may not be a source of sustainable competitive advantage or superior company performance (Eisenhardt & Martin, 2000). Although they believe that dynamic capabilities are positively related to long-term performance, to date researchers have not provided a compelling explanation for the effect of strategic alliance to manage stakeholder on the relationship between dynamic capabilities and sustainable competitive advantage in the domain of corporate responsibility (Teece, 1977).

Critiques of the RBV

Along with its development, the RBV has been extensively criticized. Some of the critiques have been leveled indirectly by suggesting amendments to the RBV. The critiques fall into two categories some who could withstand quite well when its variables, boundaries, and applicability are more clearly specified and others who can't. For instance some argue that **RBV has no managerial implications**; It seems to tell managers to develop and obtain VRIN resources and develop an appropriate organization, but it is silent on how this should be done (Connor, 2002; Miller, 2003). But any explanations the RBV might provide may well be no more than indicative, yet still of value to managers, so we have no reason to oblige the RBV to generate theoretically compelling prescriptions.

The other critique is that the RBV implies infinite regress which can be extended *ad infinitum*, leading firms into an endless search for ever higher-order capabilities. While this is true in an abstract sense, this critique does not really work against the RBV.

On the other hand some might argue that the **RBV's applicability is too limited**; Barney (2002) indicates an important limit to the applicability of the RBV: it only holds as long as the 'rules of the game' in an industry remain relatively fixed. In unpredictable environments, in which new technologies and/or new markets emerge and the value of resources can drastically change, we need to go beyond the RBV to explain a firm's SCA. But so long as we are explicit about this, though, it cannot be said to cause the RBV problems that are not equally visited on other applied theories.

There are critiques **SCA being an achievable**; A competitive advantage can only be sustained at the dynamic level through advantageous 'dynamic capabilities' or 'organizational learning',

enabling the firm to adapt faster than its competition. Inimitability is progressively compromised by 'spillovers' as the firm's products and services continue to reveal strategic information about the processes that produce them. So a firm must keep on innovating as its revenue stream is constantly exposed to new competitors, substitute products, and so forth Porter(1980).

We accept no **SCA can last forever**, but in the short run it remains a powerful strategic concept. It directs management's attention to the dynamics that support it, emphasizing the term 'sustained', looking for practical ways of beating the market's own 'natural' timing, quickening innovation or slowing imitation. We also accept that in a dynamic environment firms cannot derive an SCA from a static set of resources. However, the RBV's logic applies as much to dynamic capabilities as it does to the firm's other resources Barney(2001).

Some of the critique who can't stand amendments are **VRIN/O is neither necessary nor sufficient** ;The key to the RBV is that SCA can be achieved by applying resources and capabilities when these are valuable, rare, inimitable, and non-substitutable (VRIN) plus when there is an appropriate organization in place Barney(1994). The first axiom has been subject to a further critique, that the VRIN/O criteria are neither sufficient nor necessary to explain SCA. One version of the sufficiency critique concerns the lack of empirical support for the RBV.

The Value of a Resource is too Indeterminate to Provide for Useful Theory; Barney (2002) defines SCA in line with Porter (1985) in terms of improved efficiency (reducing cost) and effectiveness (increasing value), we see the RBV is unmistakably tautological: value and uniqueness appear in both *explanans* and *explanandum*. The main problem here lies in the RBV's indefinite notion of value (Priem& Butler, 2001b).

In an attempt to clarify the RBV notion of value, Bowman &Ambrosini (2000) suggest three concepts of value: perceived use value (the perception of value by a customer), total monetary value (the amount of money a customer is prepared to pay), and exchange value (what is actually paid). They also suggest distinguishing value creation, value capturing, and value assessment.

To some extent, these distinctions have clarified the equivocal notion of value offered in the initial RBV publications. However, they have not resolved the RBV's tendency to tautology. Since the value of a resource and the SCA it generates are defined in identical terms, the *explanans* and the *explanandum* of the RBV remain the same. A question then is, if the core message of the RBV is so clearly tautological, how are we to interpret the RBV?

The final critique is the **RBV focuses on its axiomatic definitions, especially that of resource**. The inclusive definitions of resources are problematic for two reasons. First, they do not sufficiently acknowledge the distinction between those resources that are inputs to the firm and the capabilities that enable the firm to select, deploy, and organize such inputs. A second problem is that the RBV does not address fundamental differences in how different types of resources may contribute in a different manner to a firm's SCA. While the RBV recognizes different types of resource for example physical capital, human capital, and organizational capital it treats them all in the same way (Barney, 1991).

2.3. Various Positioning Strategy

2.3.1. Differentiation

When using this strategy, a company focuses its efforts on providing a unique product or service. Since, the product or service is unique; this strategy provides high customer loyalty (Cross, 1999). Differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

A key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, geographical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested as firms differentiators

(Davidson,2001). To be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important (Berthoff,2002). When using differentiation, firms must be prepared to add a premium to the cost (Hyatt,2001). This is not to suggest costs and prices are not considered; only it is not the main focus. However, since customers perceive the product or service as unique, they are loyal to the company and willing to pay the higher price for its products (Cross,1999).

2.3.2. Cost Leadership

This strategy focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy. The organization must be willing to discontinue any activities in which it does not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000).

For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). Cost leadership can be achieved through mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Venu,2001). According to Porter (1985), only one firm in an industry can be the cost leader.

The firm can choose to focus on a select customer group, product range, geographical area, or service line (Hyatt *et al.*, 2001). Focus is also based on adopting a narrow competitive scope within an industry. It aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 1980) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Medium sized and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective

when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

2.3.3. Combination of Different Strategies

An organization may also choose a combination strategy by mixing the generic strategies. For example, a firm may choose to have a focused differentiation strategy. This means the organization has a unique product offered to a targeted market segment. An organization may also choose to have a focused cost-leadership strategy. In this instance, an organization would use a cost leadership strategy targeted to a specific market segment.

There is much debate as to whether or not a company can have a differentiation and low-cost leadership strategy at the same time. Porter felt differentiation and cost-leadership were mutually exclusive (Helms,1997). However, research shows this is not always the case. (Kumar,1997) in their study of generic strategies found that when hospitals follow a focused cost leadership hybrid strategy they exhibited higher performance than those following either cost leadership or differentiation alone. Similarly in their research on the UK wine industry, (Richardson and Dennis 2003) found that the hybrid focused differentiation approach was best for niche segments. (Spanos,2004) studied the Greek manufacturing industry and found that hybrid strategies were preferable to pure strategies.

According to Porter (Argyres and McGaha, 2002), lower cost and differentiation are directly connected with profitability. As research addressed the relationship between strategy and performance, some studies concluded only “pure” strategies (generic strategies of cost leadership or differentiation) resulted in superior performance, while other research studies found that combinations strategies (low-cost and differentiation) were optimal. This debate continues in the literature and the current study attempted to shed more light in this area.

2.4. Strategic Positioning and Organizational Performance

According to Richard (2009) organizational performance encompasses three specific areas of firms outcome namely, financial performance (profits, return on asset, return on investment etc.); product market performance (sales, market share, etc); and shareholders return (total shareholder return, economic value added), etc. The yard stick with which organizational

performance is measured cannot be the same across all organizations. This suggests that financial result is not the only performance indicator and that other aspects of performance are relevant to the existence and success of an organization.

According to Barney (1991), improved organizational performance arises when the firm's resources are valuable (the resources help the firm create valuable products and services), rare (competitors do not have access to them), inimitable (competitors cannot easily replicate them) and appropriate (the firm owns them and can exploit them at will).

2.5. Empirical Review

A study by (Kalafatis et al 2000), positioning strategies in business markets using a cross sectional survey methodology in the USA, found that business positioning is predominantly determined by hard criteria e.g. product quality and relationship building factors e.g. personal contact, other considerations such as company structures i.e. geographical coverage, breadth of offerings and degree of integration i.e. location in the distribution chain, also play an important part. They concluded in their study that level of familiarity with a specific company is a contributing factor to the perceptions of the pursued positioning strategies.

A study by Dow (2001), the adaptation of host market positioning strategies, empirical evidence on Australian exporters in Australia using survey methodology found that domestically based Australian exporters tend to have a narrower focus and rely more heavily on operations based differentiation in foreign markets.

A study by Gary (2001), positioning, image and the marketing of multiple retailers using survey methodology in the UK found that retailers can compete on price and can insulate themselves from direct price competition through location. Alternatively, retailers can add value to the basic utility of place through appropriate marketing, through differentiated image, through positioning. Attribute was found to be the key positioning strategy in this study.

A study by(Blankson, et al 1999), Issues and challenges in the positioning of service brands, overview UK found that even in a tangible product there is some form of services attached to it. They concluded that in essence the degree of service in any product and vice versa are construed as raising challenges for marketers, trying to apply the positioning concept.

A study by (Doyle and Saunders,1985), market segmentation and positioning in specialized industrial markets in the UK and USA using cross sectional analysis found that the company's strategy has a significant impact on the market. There was positive performance for most of the companies that had chosen the right strategy.

A study by Bhat (1998), symbolic and functional positioning of brands using factor analysis methodology found that marketers do not necessarily have to position a brand as a prestige brand with its associations of expensiveness and exclusivity to tap the symbolic needs of consumers. In some instances a marketing mix that shows how the brand can be used to express a consumer personality or have some distinct meaning to a consumer would be cheaper, easier and more effective strategy than one that tries to position the brand on prestige and exclusivity.

A study by Lefebvre et al (1993) competitive positioning and innovative efforts in small and medium enterprises, found that there is a link between a firms competitive positioning and its innovative efforts. In order to better understand the ground on which the firm has chosen to compete, smaller firms need to be constantly preoccupied with market signals if they wish to compete and even to survive.

A study by Rao (2009), a new paradigm for developing pharmaceutical positioning strategy found that positioning strategies based on a scientific, market driven paradigm will make for a commercialization process that effectively defines and communicates product value at every stage of the life cycle. Utilizing state of the art technique tools from disciplines such as strategic marketing research, marketing science and decision support sciences enables the process of translating such paradigm into effective strategy.

A study by Cornelia et al (1987), associative positioning strategies through comparative advertising, Attributes versus overall similarity approaches found direct comparative advertisements are superior in engendering overall brand positioning, where as only product based direct comparative advertisements are superior in engendering brand positioning at the attribute level, and only in terms of positioning clarity.

Blankson(2008) on their journal article on the Impact of Positioning Strategies on Corporate Performance, an exploratory study conducted on the US based firms observed that the pursuit

of positioning strategies had effect on their firms' performance. "Top of the range" sub positioning strategy appeared to be the most preferred strategy for those service firms that are well known for their pursuit of the middle- and upper class target audiences.

Firms interviewed agreed that their businesses were tailored to specific target groups and that this strategy was a major factor in their overall return on investment and market share. They also noted that just as marketing has become an increasingly important element of strategic management process, so has the concept of positioning become fundamental to the success of firms' marketing strategies.

Celine Chew (2006) studied Positioning and its strategic relevance; Emerging themes from the experiences of British charitable organizations. The survey study finding revealed that the charities strategic positioning is influenced by a combination of external environmental and internal organizational factors. These factors have in turn created internal responses from voluntary organizations by repositioning themselves in different ways depending on the roles they chose to play within the changing social and policy context. Secondly charitable organizations perceive an increasingly competitive environment in their sub-sectors and the wider voluntary sector for funding and other organizational resources.

A main rationale for the use of positioning by commercial organizations is to create a competitive advantage over rival providers of similar services. Other than the above, the finding reveal that government (central or local), on the one hand, is a source of funding for charitable organizations, but on the other hand, is perceived by some charities as an influence in the choice of positioning strategy and a competitor for other organizational resources. Finally, mission was the most important distinguishing feature in the charity's positioning strategy revealed in the study. Mission was also cited as the top factor that influenced the choice of positioning strategy.

2.6. Conceptual Frame Work of the Study

The conceptual framework below shows generic competitive strategies as independent variables and performance of pharmaceutical companies as a dependent variable. The framework is based on the hypothesis that adoption of Porter's generic competitive strategies significantly affect performance of pharmaceutical companies in Ethiopia.

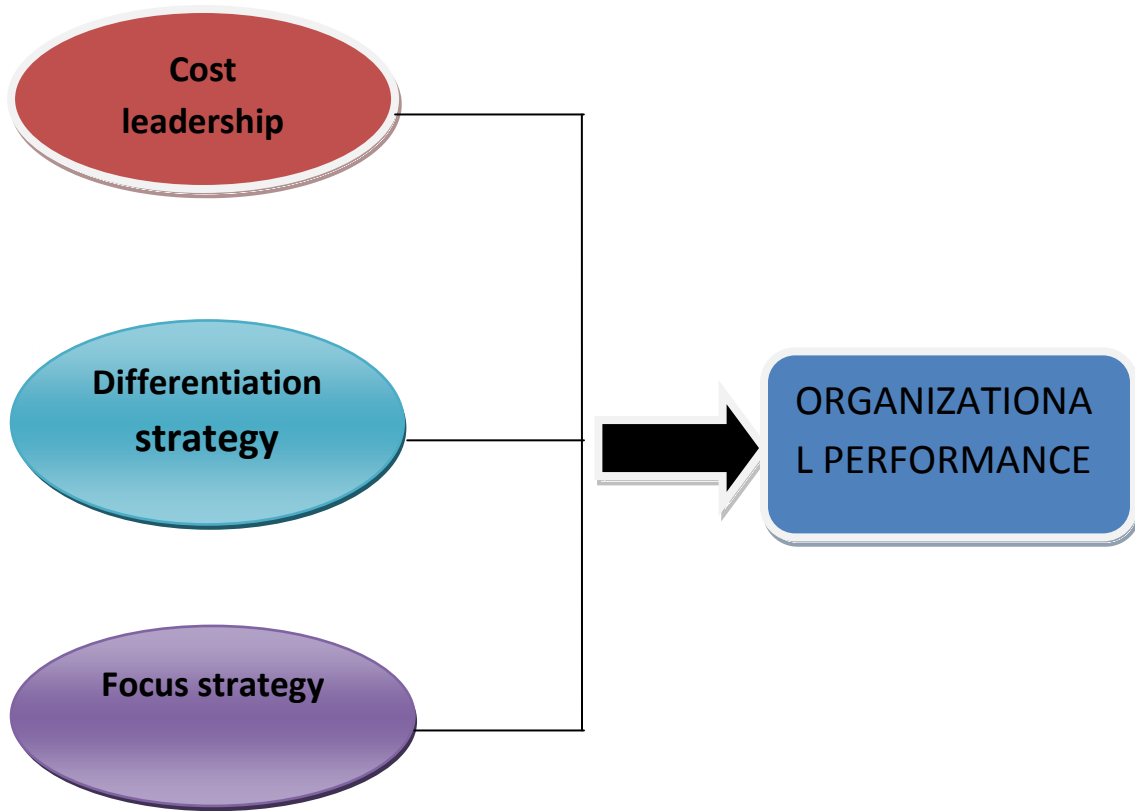


Figure 2.1: Conceptual Framework of the Study (source: Porter, 1985)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

3.2. Research Design

Descriptive survey research design was used. A survey research seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behaviour or values. Survey research is a descriptive research and it is an excellent vehicle for the measurement of characteristics of large populations. According to Kothari C.R., (2004), descriptive research sets out to describe and to interpret what it is. It aims to depict the state of affairs as it exists and to describe some aspect of a phenomenon, i.e., the status of a given phenomenon. It can help to understand a topic and lead to causal analysis.

3.3. Data Type and Source of Data

The researcher uses both primary and secondary source of data. Primary data was collected through standardized questionnaire and secondary data was collected through journal and research report and government agencies.

According to Malhotra (2005), primary data are originated by the researcher for the specific purpose of addressing the problem at hand. Even if obtaining can be expensive and time consuming, primary data, being the most significant was gathered through structured questionnaires.

Secondary data were collected for some purpose other than the problem at hand (Malhotra, 2005). Secondary data are usually collected from journals, existing reports, and statistics by government agencies and authorities. The secondary data for this particular study was collected from marketing journals and other existing reports such as government agencies and authorities. These data helped to create better comprehension for the title study. As a general rule stated by Malhotra (2005), “examination of available secondary data is a prerequisite to

the collection of primary data. Start with secondary data and proceed to primary data only when the secondary data sources have been exhausted or yield managerial returns.” Thus, this study was conducted and analyzed primary data with the rationale of the secondary data.

3.4. Sampling Methodology/ Sampling Design

3.4.1. Target Population of the Study

The population of interest in this study consisted of all pharmaceutical firms in Ethiopia marketing medicines to doctors. Firms doing importation and then marketing in Ethiopia, as well as local manufacturers were surveyed. According to FMHACA there are 111 pharmaceutical firms. A sample size of fifty firms will be selected. Purposive sampling method will be used. This method allows use of cases that have the required information with respect to objectives of the study. Cases of subjects are therefore will be handpicked because they are informative, or they possess the required characteristics. The sampling item will be the marketing manager or senior medical representative of the sampled pharmaceutical companies.

3.5. Variable and Measurement Instrument

The main questions in the questionnaire were measured attitudes towards brand preference and its determinant. Categorical questions were used for demographic variables such as work experience, ownership & operational years.

3.5.1. Reliability and Validity

Calculating Cronbach’s alpha (α) has become a common practice when a multiple item measurement of a concept or construct are employed and were used, Since it’s easier to use in comparison to other estimate.

Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure. To ensure the validity of the study: Data was collected from the reliable sources, from respondent who has experience. Furthermore this study were tested and examined by the advisor and other colleagues to determine its clarity. The reliability of the research instrument (structured questionnaire) was measured by the Cronbach’s alpha.

3.6. Data Collection Methods and Procedures

The data for the research was collected through structured questionnaire (5 point likert scale). The structure of the questionnaire were clear, easy to understand and straightforward to ensure that the respondents could answer the questions with no difficulty.

3.7. Data Analysis Method

Data analysis means the categorizing, ordering, manipulating summarizing data to obtain answers to research questions with the purpose of obtaining meaning from collected data. The data collected based on the specified collection technique was classified based on similarities. Data was arranged, editing, for accuracy, uniformity, consistency and completeness. The data was then checked to verify errors omissions and inconsistencies. It was then arranged and entered into the computer in preparation for final analysis. Data obtained from open ended questions was evaluated and checked based on the content of the data and was then used to explain the problem.

Data that had been arranged accordingly was therefore presented in the frequency table. The data was then analyzed using both descriptive and inferential statistics. Descriptive statistics that was used include mean scores, percentages and ratios. Percentages were used to analyze positioning strategies that are employed. Mean score and standard deviation was used to determine the magnitude of competitiveness achieved from strategic positioning. These were then presented using tables, charts and graphs for easier interpretation.

The relationship between strategic positioning and performance was tested using multiple regressions and Pearson correlation analysis technique. Pearson correlation is used to find the degree of linear relationship between two continuous variables. It's good for measuring the strength of the association between the two variables.

The performance was measured using overall profit level, Market share, Customer satisfaction, Customer Loyalty, Employee satisfaction, Employee retention and shareholder satisfaction with financial performance relative to competitors and relative to financial year. On the other hand, strategic positioning was analyzed using positioning dimensions which

include quality positioning, cost positioning, hybrid positioning. Furthermore SPSS20.0 version was used.

3.8. Ethical Considerations

In a study involving human participants, a number of ethical considerations need to be addressed. The crucial and important issue of participants' informed consent is to be attended first. Thus, all participants are advised of the key purpose of this research, which is to fulfil an academic research thesis.

The safety of participants was not compromised in any way. Participants are ensured of confidentiality and anonymity. This was achieved by communicating to the participants that they should not have to identify themselves on the research questionnaire and that their data is given or shared to any person/organization. It was made clear to the participants that all data collected is for academic purpose only. The researcher honestly report data, results, methods and procedures, and publication status. The researcher did not fabricate, falsify, or misrepresent data and did not deceive colleagues, academicians, or the public.

The researcher strived to avoid bias in data analysis, data interpretation and other aspects of research where objectivity is expected or required.

The researcher keeps promises and agreements and act with sincerity; strive for consistency of thought and action.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

The purpose of this study was to investigate the pharmaceutical brand preference and its determinants. A total number of 45 questionnaires were received. Descriptive, correlation and regression analysis was used in analyzing the data collected. The responses by the medical representatives, technical manager, product manager and general manager to some items of the questionnaire were compiled into tables according to the main variables being examined. Descriptive analysis for instance percentage, mean and standard deviation was used in examining variables such as cost leadership, differentiation and focus strategy.

4.1 Reliability Test

The study used Cronbach’s alpha, to measure the reliability or to assess the internal consistency of the research instrument. Since multiple items were used to measure the generic positioning strategy of pharmaceutical products (cost leadership strategy, differentiation and focus strategy), the items in the scales were subjected to reliability testing using Cronbach’s coefficient alpha to determine the internal consistencies (Saunders et al., 2003). Scales that produced Cronbach alpha coefficients greater than 0.7 were considered to be measuring the same underlying attribute (Nunnally, 1978) and were thus reliable.

As shown in table 4.1 below the Cronbach’s alpha coefficients for determinant of brand preference items of respondents is 0.737. This is greater than the minimum value suggested by Nunnally (1978). Therefore, the scales used in this study demonstrate reliability as well as it indicates the acceptability of the scale for further analysis.

Table 4.1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.737	.770	3

Source: Survey results, 2017

4.2 General Information of the Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of general information which includes work experience, number of employees, time of operational experience of the company and ownership of the organization.

4.2.1 Response Rate

A total of 50 questionnaires were edited for completeness and consistency. Of the 50 questionnaire issued, 45 were returned. The returned questionnaires represented a response rate of 90 %, which the study considered adequate for analysis.

4.2.2 Work Experience

The results presented in the figure 4.1 indicate that the number of years of experience in the current organization varies from a period of 1 year to over 10 years. 44.4% of the respondents had worked in their respective organization for a period of 1 to 5 years, 44.4% had worked for a period of 5-10 years and 11.1% had worked for a period of less than 1 year. Majority of the respondents have worked their organization for less than 10 years, this shows that the industry is still growing at a fast pace.

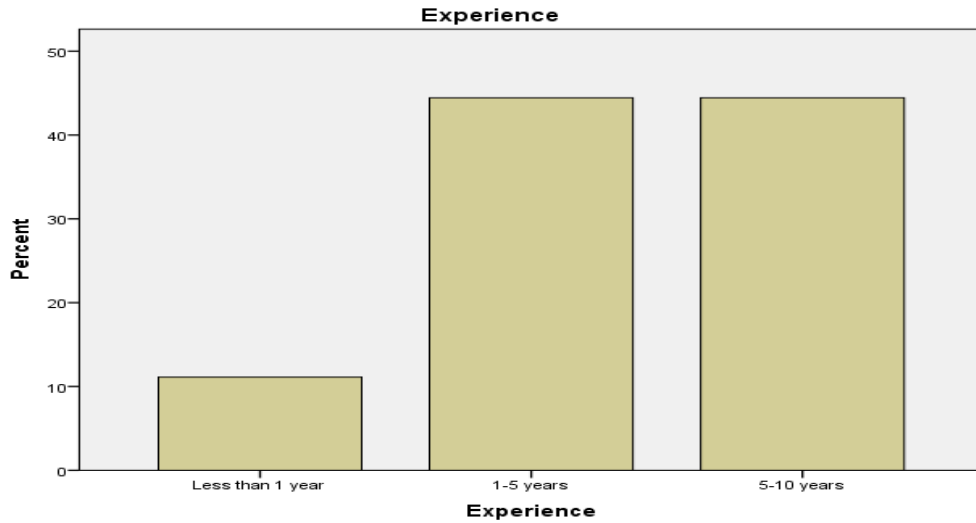


Figure 4.1: Work Experience

Source: Survey results, 2017

Number of employees

As shown in the following table the number of employees which was measured by five items, less than 100,100-499, 300-999,1000-4999 and above 5000.

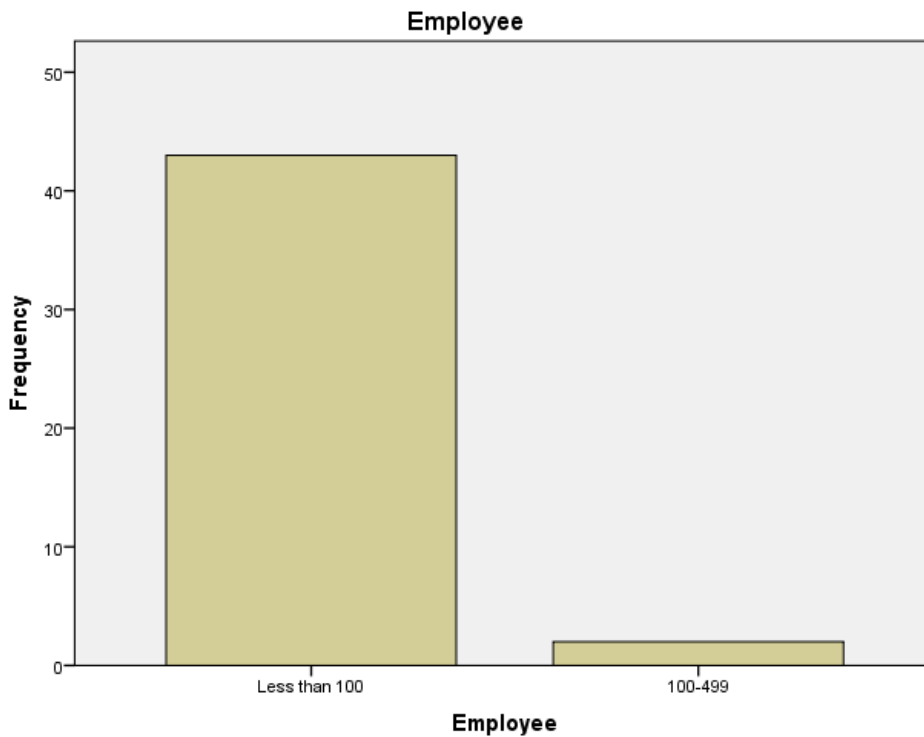


Figure 4.2: Number of Employees

Source: Survey results, 2017

According to Figure 4.2 most of the pharmaceutical firms had an employee number of less than 95.6%, this shows that most of the firms employed a few people but this number is recently growing as more companies enter the market and a few tried to join the local market by building manufacturing sites.

Number of operational years

Regarding how long the company is operational the student researcher used 3 items to measure their time level 6-10 yrs, 11-15 yrs, 16 yrs and above. And the result is presented in the following table.

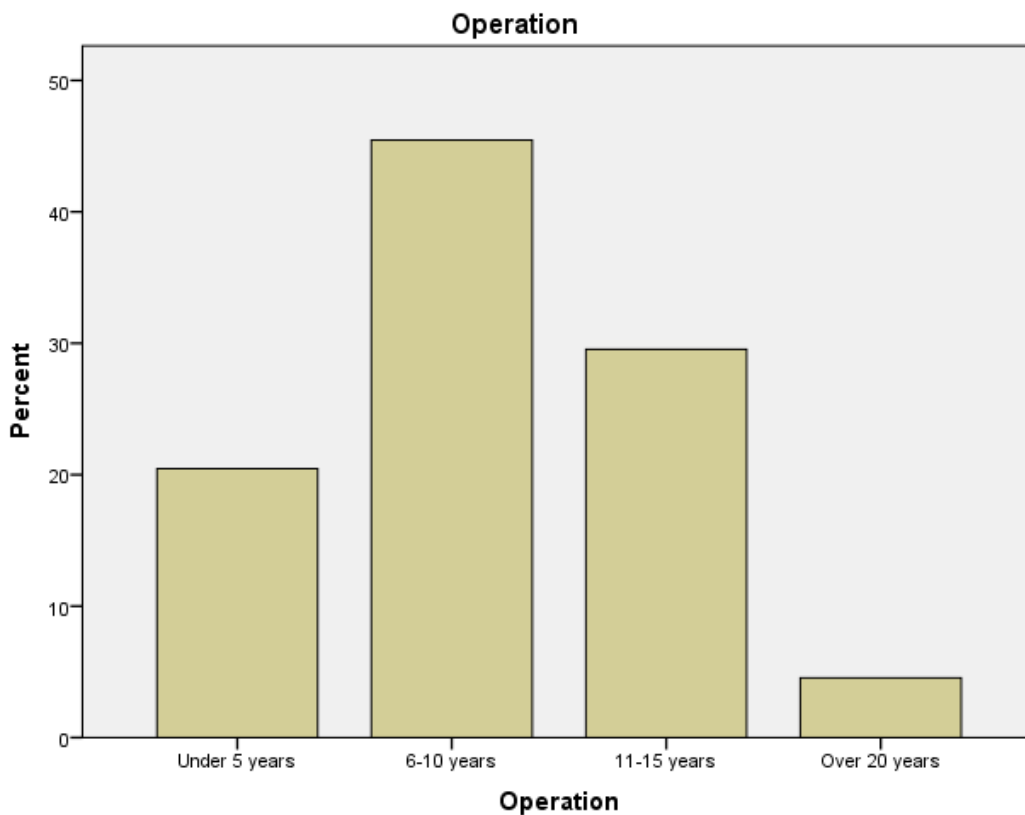


Figure 4.3: Number of Operational Years

Source: Survey results, 2017

Number of operational years of the company shows that most companies' operational years are under 5 years is 20%, 44.4% 6-10 years, 28.9% for 11 to 15 years and the rest 4.4 % had been in operation for a period of 20 years and above.

Ownership status

The Ownership status of the company is presented in the following table through the use of the following range as shown below.

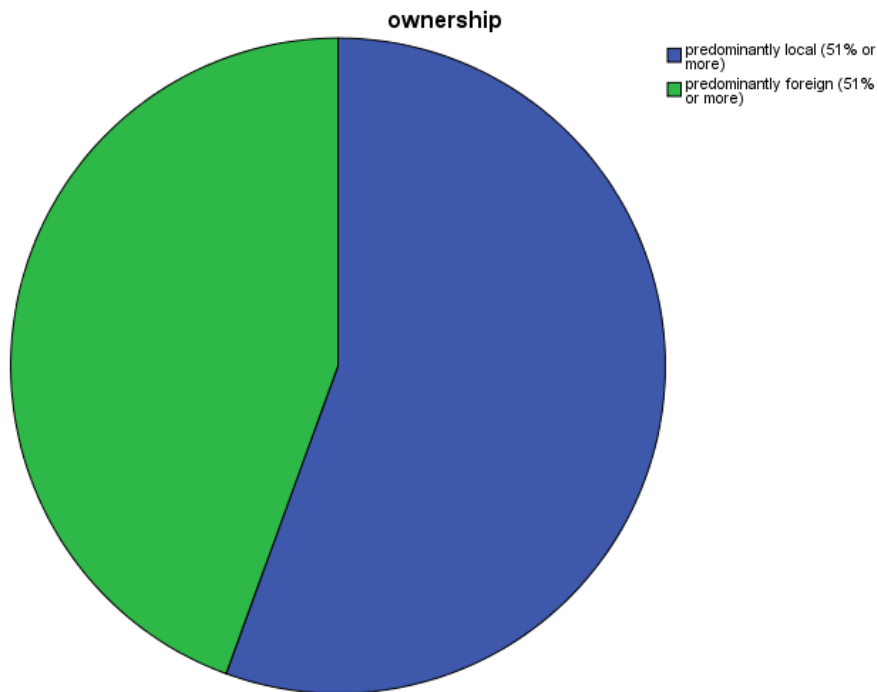


Figure 4.4: Ownership Status

Source: Survey results, 2017

The respondents of the firm were predominantly local owned (55.6%) and foreign owned 44.4 %.

4.3 Descriptive Statistics

4.3.1. Descriptive Statistics of the Respondents

Generic Positioning Strategy

Three generic positioning strategies are considered for the study. These strategies are cost leadership, differentiation and focus strategy. Each factor has incorporated their sub statements. These statements have the ability to explain the broad dimension.

Positioning Strategies Used By Pharmaceutical Firms

The various strategies used by pharmaceutical firms was represented by the range (5) ‘Strongly Agree’ to (1) ‘Strongly Disagree’ on a Likert scale.

Table 4.2: Positioning Strategies

1) Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PS1	45	5.00	5.00	5.0000	.00000
PS2	45	1.00	5.00	3.4889	1.96124
PS3	45	1.00	5.00	3.3111	1.57858
PS4	45	1.00	5.00	3.3556	1.77297
Valid N (listwise)	45				

Source: Survey results, 2017

From the findings most firms agreed positioning strategies helps the company to know where to confront competition from and where to avoid it, among the respondent compared to other strategies.

4.4 MULTICOLLINEARITY

Multicollinearity is a situation in which two or more explanatory variables in a multiple regression model are highly correlated. When correlation is excessive, standard errors of the estimated regression coefficients become large, making it difficult or impossible to assess the relative importance of the predictor variables. As you can see from tables below the tolerance

is above 0.10 which implies that how much the variables in the explanatory variables explain the variable.

Multicollinearity can also be measured using Variance Inflation factor which from the table below shows that differentiation and cost leadership has a value within acceptable range that is <2, in the case of focus strategy it's slightly above 2 but the tolerance is in accepted range.

Table 4.3: Multicollinearity Costleader

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
DIFFERENTIATION	.856	1.168
FOCUS	.856	1.168

a. Dependent Variable: COSTLEADER

Source: Survey results, 2017

Table 4.4: Multicollinearity: Differentiation

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 COSTLEADER	.798	1.253
1 FOCUS	.798	1.253

a. Dependent Variable: DIFFERENTIATION

Source: Survey results, 2017

Table 4.5: Multicollinearity: Focus

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 COSTLEADER	.434	2.303
1 DIFFERENTIATION	.434	2.303

a. Dependent Variable: FOCUS

Source: Survey results, 2017

4.5. Correlation Analysis

Correlation analysis is one of the most widely used in research, it is often used to determine a relationship between two different variables, if so how significant or how strong is the association between variables. And also a very useful means to summarize these relationships between the variables with a single number that falls between -1 and +1 Field (2005). A correlation analysis with Pearson's correlation coefficient (r) was conducted on all variables in this study to explore the relationships between them. The correlation coefficient r is statistics' used to measure the degree or strength of this type of relationship (Taylor, 1990).

In the researcher's case the correlation analysis result was performed to see the relationship between organizational performance and cost leadership, focus and differentiation strategy.

To interpret the strengths of relationships between variables, the guidelines suggested by Taylor R, (1990), were followed. His classification of the correlation efficient (r) is as follows: ≤ 0.35 is considered to represent low or weak correlation; 0.36 – 0.67 is modest or moderate correlation; 0.68-0.89 is strong or high correlation and a correlation with r coefficient ≥ 0.90 is very high correlation. Again if the correlation result lies between -1 and 0, the two variables are negatively related. However, the result is interpreted and discussed using this criterion in each dimensions.

Table 4.6: Pearson correlation matrix between generic positioning strategies and organizational performance

		Correlations			
		COSTLEADER	DIFFERENTIATION	FOCUS	ORGANIZATION
COSTLEADER	Pearson Correlation	1	.752**	.450**	.805**
	Sig. (2-tailed)		.000	.002	.000
	N	45	45	45	45
DIFFERENTIATION	Pearson Correlation	.752**	1	.379*	.982**
	Sig. (2-tailed)	.000		.010	.000
	N	45	45	45	45
FOCUS	Pearson Correlation	.450**	.379*	1	.379*
	Sig. (2-tailed)	.002	.010		.010
	N	45	45	45	45
ORGANIZATION	Pearson Correlation	.805**	.982**	.379*	1

Sig. (2-tailed)	.000	.000	.010	
N	45	45	45	45

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Survey results, 2017

The findings in the above table, shows that none of the predictor variable is strongly correlated with each other. The Pearson correlation coefficient for cost leadership strategy falls in the range 0.6-0.8 and its 0.752 which is taken as a strong correlation and has a positive direction also which is ofcourse a direct relationship.

As per table no 4.50 tried to show the relationship between differentiation as independent variable and organizational performance as dependent variable. And the correlation result for this two variables is (r=.450, p<0.05) this implies the two variables are also positively related. In addition, the (r=.450, p<0.05) indicates that differentiation maintains moderate correlation relationship with organizational performance of pharmaceutical firms.

4.6. Regression Analysis

Regressions fit a predictive model to data and use that model to predict the values of dependent variable from one or more independent variables (Andy, 2005). Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. To identify the effect of generic positioning strategies on organizational performance multiple regression analyses were conducted with organizational performance as the dependent variable and the three generic positioning strategies (cost leadership, differentiation and focus strategy) as the independent variables. The result has been shown below in the table.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987 ^a	.974	.972	.21518

Source: Survey results, 2017

a. Predictors: (Constant), FOCUS, DIFFERENTIATION, COSTLEADER

R, the multiple correlation coefficients, is the linear correlation between the observed and model-predicted values of the dependent variable. Its large value indicates the strength of the relationship. The Model Summary table gives the R (.987) and Adjusted R square (.972). The Adjusted R square statistics ‘corrects’ R square value to provide a better estimate of the true population value. The R square value tells how much of the variance in the dependent variable (organizational performance) is explained by the model (which includes the three variables that are cost leadership, differentiation and focus strategy). In this case the value is .972 expressed as a percentage (multiply by 100) it becomes 97.2% this means that the model explains 97.2% of the variance in overall brand preference of pharmaceutical products. It means that those three generic positioning strategies are contributing to the organizational performance of pharmaceutical firms 97.2% and remaining 2.8 % can be attributed by other strategies which are not studied, like hybrid positioning strategy.

By examining the significance of the regression in the ANOVA table, we determine whether or not there is a relationship between the independent variable and the dependent variable.

Table 4.8: ANOVAa

ANOVA ^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	71.602	3	23.867	515.467	.000 ^b
	Residual	1.898	41	.046		
	Total	73.500	44			

a. Dependent Variable: ORGANIZATION

b. Predictors: (Constant), FOCUS, DIFFERENTIATION, COSTLEADER

Source: Survey results, 2017

The probability of the F statistic for the regression analysis is 0.000, less than the level of significance of 0.05. Also to determine if any of these generic strategies was significantly related to performance, a regression equation for the 3 strategies was formulated as

$$Y_i = (b_i + b_1X_1 + b_2X_2 + \dots + b_nX_n) + E_i$$

Where: y=the outcome variable

b_i =the coefficient of the constant predictor (X_i)

b_1 =the coefficient of the first predictor (X_1)

b_n =the coefficient of the nth predictor (X_n)

E_i = the difference between the predicted and observed value of y for the i th participant
 Therefore, in this study the following multiple regressions were used:

Multiple R is a correlation between the observed values of y , the values of y predicted by the multiple regression models. Therefore, large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. The model summary table reports the strength of the relationship between the model and the dependent variable, organizational performance of pharmaceutical firms.

Table 4.9: Coefficients^a

Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.280	.239		1.171	.249
	COSTLEADER	.174	.042	.162	4.108	.000
	DIFFERENTIATION	.810	.036	.868	22.739	.000
	FOCUS	-.070	.084	-.023	-.830	.411

a. Dependent Variable: ORGANIZATION

Source: Survey results, 2017

The table above clearly shows that cost leadership and differentiation have significant effect on organizational performance of pharmaceutical firms. But focus strategy has no significant impact on brand preference of pharmaceutical products.

In order to establish the impact that each strategy has on the dependant variable, the study checked the Standardized Coefficients. The effect of “cost leadership”, “differentiation” and “focus” on organizational performance of pharmaceutical firms are .162, .868, and -.023 respectively, indicating that differentiation strategy has the highest effect on organizational performance of pharmaceutical firms.

The above table clearly shows that cost leadership ($\beta=0.162$, $P<0.01$), differentiation ($\beta=0.868$, $P<0.01$) and focus strategy ($\beta=0.430$, $P<0.05$), have all significant effect on organizational performance of pharmaceutical firms. This indicates that cost leadership, differentiation and focus strategy affects organizational performance of pharmaceutical firms.

The established multiple linear regression equation becomes: $Y = .280 + 0.174X_1 + 0.810X_2 + (-0.70)X_3$

5.4 Discussion of Findings

The study sought to analyze the positioning strategies of pharmaceutical firms as understood by the respondents from a market positioning point of view in relation to organizational performance. The findings are consistent with Porter (1980) who opines that differentiation strategy involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Costing strategy involves the firm winning market share by appealing to cost conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market, or at least the lower price while still achieving profitability and a high return on investment. The study also revealed that most positioning strategies use differentiation strategy giving emphasis to quality and some firms also use cost leadership strategy as an alternative strategy but there is a gap in focus strategy.

The Ethiopian Government provided various kinds of support to the local pharmaceutical industry to promote import substitution, export growth, transfer of technology and job creation and to increase the production of essential medicines to improve access. The Ethiopian Government adopt a strategy to transform the pharmaceutical sector in Ethiopia. Seven strategic objectives of the strategy are as follows:

Strategic objective 1: Improve access to medicines through quality local production – implement the GMP Roadmap.

Strategic objective 2: Strengthen the national medicine regulatory system.

Strategic objective 3: Create incentives designed to move companies along the value chain.

Strategic objective 4: Develop human resources through relevant education and training.

Strategic objective 5: Encourage cluster development and production of active pharmaceutical ingredients.

Strategic objective 6: Create a research and development platform.

Strategic objective 7: Attract foreign direct investment in the pharmaceutical sector.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1. Introduction

In this section we discuss the main findings, draw conclusions and make recommendations.

5.2. Summary

The objective of the study was to examine the effect of generic positioning strategies by Pharmaceutical firms in Ethiopia. This involved looking at the influence of differentiation strategy, cost leadership strategy and focus strategy on organizational performance. At the same time majority of the respondents have worked in their organization below 10 years this implies that the industry had been recently expanding.

The study identified the following strategic practices as the most commonly used competitive strategies by pharmaceutical firms in Ethiopia; differentiation, cost leadership and focus strategies. Both cost leadership strategy and differentiation strategy are used side by side this could be attributed to the fact that most multinational pharmaceutical studied were foreign owned thus invest more in research and development of new drugs rather than manufacturing of generic drugs. Such multinational pharmaceutical firms thus tend to pursue the differentiation strategy more than they would cost reduction strategies. These companies are mostly pioneers of new drugs in the industry hence tend to focus on strategies that differentiate them from generic companies which pursue vigorous cost reduction strategies.

At the same time there are other firms who works on cost reductions strategy and tries to win the market by holding large market share and attract the demand of lower priced pharmaceutical products and some are even building their manufacturing sites in the country. Majority of patients in the country were of low disposable income hence could not afford the premium price of Multinational pharmaceutical brands. Such patients therefore tend to switch to cheaper generic substitutes.

Focus strategies are also used by these pharmaceutical firms but they don't focus on those market niche solely for e.g. if they have paediatrics products they will also have adult

products,if they had therapeutic segment of respiratory products they will also have antibiotics products.This is because they have the fear of not being profitable of one market segment only and their continuous motive to expand and penetrate the market well.

The study used regression analysis to find the relationship between organization performance (market share) and porter's generic business strategies (differentiation strategies, cost leadership strategies and focus strategy) used by pharmaceutical firms in Ethiopia. The finding of the study indicated that the model was significant for forecasting the firm's performance. This was demonstrated in the part of the analysis where R2 for the association was 86.9%. The respondents strongly associated their firm's performance with the strategy adopted.

All the predictor variables were also linearly related with the dependent variable thus a model of three predictor variables could be used in predicting organization performance (market share). More so differentiation strategy and cost leadership strategy were the main strategies used by pharmaceutical firms in Ethiopia.

5.3. Conclusion

This study showed that Pharmaceutical firms in Ethiopia were varied in their ownerships with most (75.68%) of them being foreign owned. Strategies employed by multinational pharmaceutical firms in Ethiopia were mostly differentiation and cost leadership strategies. From the findings and data analysis, the relationship between Porter's generic strategies and firms performance (represented by market share as an indicator), was summarized by the multiple linear regression equation: $Y = 1.127 + 0.446X_1 + 0.196X_2 + 0.388X_3$, Where Y represented market share and X1, X2 and X3 were differentiation, costleadership and focus strategies respectively. The study model of three predictor variables was significant for forecasting the firm's performance. This was demonstrated in the part of the analysis where R2 for the association was 86.9%. Respondents in the study strongly attributed their firm's performance to the strategies adopted thus suggesting that pursuit of one generic business strategy as suggested by Porter, placed a firm in a better strategic position and resulted in superior performance rather than a situation where the firm was "stuck in the middle".

5.4. Recommendations

5.4.1. Recommendation to Policy Makers

Based on the review of Pharmaceutical firms adoption of Porters generic strategies derived from analyses in earlier sections, the following is a set of recommendations to policy makers in the pharmaceutical industry:

The PFSA while procuring mostly low priced brands through the tendering process, should consider strengthening regulations that support the inclusion of Multinational pharmaceutical wholesalers in public procurement of medicines. This will enhance such firm's performance locally, thereby creating opportunity for further investment in research and development of new drugs.

The FMHACA should strengthen post market surveillance in order to control substandard and counterfeit drugs in the Ethiopian market by enhancing pharmacovigilance and instituting guidelines and protocols for drug registrations. This will enable Multinational pharmaceutical compete effectively thereby investing more into research and development of new drugs.

5.4.2. Recommendation to managers of Multinational pharmaceutical firms

Multinational pharmaceutical firms are interested in Ethiopia because the country is forecast to experience rapid macroeconomic growth. This will drive the emergence of a middle class that will be able to afford expensive branded and patented drugs. Differential pricing may be necessary in the medium term for multinationals to establish a presence in Ethiopia, but Multinational firms should not try to compete with Asian and local pharmaceutical firms on price. Instead they need to market their drugs as aspirational products for the uppermost earners.

5.4.3 Recommendation for Further Research

Further research to establish factors that lead to change in firms' competitive strategies within the pharmaceutical industry in Ethiopia is recommended. This will enable managers of pharmaceutical companies understand the changing competitive environment within the industry and options available to them should they need to review their strategic position.

Further research on focus strategy and its effect on profitability should be considered because most firms try to satisfy different market segments so that they increase their market share but if they come up with outside the box thinking and dig further on market niche they could also focus on it as the best solution of their fierce competition.

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APPENDICES

Appendix I: List of Pharmaceutical Firms in Ethiopia

1. GlaxoSmithKline
2. Micropharma
3. Aurobindo
4. AstraZenca
5. Bayer
6. Sandoz
7. Novartis
8. Denk
9. Tabuk
10. ZAF
11. Beker
12. Bshaw
13. Woyn
14. Sanofi
15. Pfizer
16. Eyasu
17. Merck
18. Grace
19. Mesroy
20. Pharmabirbir
21. Yoha
22. Kare
23. Venus
24. Meditech
25. Labora
26. Afrogerman
27. Cadilla
28. Addis Pharmaceutical Factory
29. Caroga
30. Julphar
31. Leyet
32. EtabInterMedical
33. Badreg
34. CNMakris
35. Abyssinia Trading
36. Afework International Trading
37. Universal
38. Pharmaunion
39. Dat
40. Hosam
41. PVS
42. Saronpharmachemi
43. Setema
44. Valdes
45. Vital
46. Lewi
47. Westpharma
48. Kefyalew
49. NovoNordisk
50. Amba

Appendix II: Questionnaire

Addis Ababa University

School of Commerce

School of Graduate Studies

Questionnaire for Medical representatives, Technical manager, Product manager and Manager of Pharmaceutical products importer companies.

Dear respondent,

My name is SelamawitAsefa. I am a student in the post graduate program at the Addis Ababa University School of commerce. I am conducting a research on the topic: “Effect of generic positioning strategies on the organizational performance of pharmaceutical companies” to fulfill the partial requirement for the Master of Marketing Management (MA) degree. Hence, this questionnaire is designed to collect the necessary information/ data to write the thesis on the subject under caption. To this effect, I will be grateful if you kindly take a few minutes of your precious time to complete this questionnaire. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

Name of the Company (Optional).....

1. What is your designation in the pharmaceutical company?

a) Medical Representatives[]

b) Technical manager []

c) Product manager[]

d) General manager[]

2. How long have you worked for the company?

a) Less than 1 year[]

b) 1-5 yrs[]

c) 5-10 yrs[]

d) Above 10 yrs[]

3. How many employees are there in your company? (optional)

a) Less than 100[]

b) 100-499[]

c) 500-999[]

d) 1000-4999[]

e) Above 5000[]

4. For how long has your company been in operational in Ethiopia?

a) Under 5 yrs[]

b) 6-10 yrs[]

c) 11-15 yrs[]

d) 16-20 yrs[]

e) Over 20 yrs []

5. Please indicate the ownership interms of (local or foreign) of the organization using the categories below (please tick one)

Predominantly local (51 % or more)[]

Predominantly foreign (51% or more)[]

Balanced between foreign and local (50/50)[]

To what extent do you agree with the following statements regarding companies adopting positioning strategies?

	STATEMENTS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
P.S	POSITIONING STRATEGIES					
PS. 1	Helps the company to know where to confront competition from and where to avoid it					
PS. 2	Provides the company with a unique image in market place					
PS. 3	Facilitate fine tuning of strategy due to experience gained by being closed to customers helps in determining precisely what retail offering requires					
PS. 4	Provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy					

To what extent do you agree with the following statements regarding companies in cost leadership strategies?

C.L	COST LEADERSHIP STRATEGY	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
CL. 1	Firm prices it's products/services below competitors to outperform them					
CL. 2	The firm has an efficient and low cost distribution channels					
CL. 3	The firm acquires it's capital from low cost sources					
CL. 4	The firm offers a broad service/product range to cater for varied needs					
CL. 5	The firm outsources non-core functions or enters into joint ventures to control cost					

To what extent do you agree with following statements regarding companies in differentiation strategies?						
D F	DIFFERENTIATION	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
DF. 1	The firm maintain a strong brand /image identification					
DF. 2	The firm invests in innovation &creativity					
DF. 3	There is innovation in technology to differentiate services/products					
DF. 4	The firm offers a broad service/product range to cater for varied needs					
DF. 5	The firm frequently develop new products/services					
To what extent do you agree with the following statements regarding companies in focus strategies?						
F S	FOCUS STRATEGY	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
FS. 1	The firm offers a narrow ,limited range of services/products					
FS. 2	Products are offered in lower prices as a focus strategy					
FS. 3	The firm only serves a specific therapeutic group					
FS. 4	The firm only serves a specific customer (e.g. paediatric) segment					
FS. 5	The firm has special product/services for specific target market					
To what extent do you agree with the following statements regarding companies in organizational performance relative to competitors?						
O P	ORGANIZATIONAL PERFORMANCE	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
OP. 1	Overall profit level achieved relative to competitors					
OP. 2	Market share achieved relative to competitors					
OP. 3	Level of customer satisfaction achieved					
OP. 4	Level of customer loyalty achieved					
OP. 5	Levels of employee satisfaction with their jobs					
OP. 6	Levels of employee retention					
OP. 8	Share holder satisfaction with financial performance					